

**STATE OF VERMONT  
PUBLIC SERVICE BOARD**

Petition of Vermont Gas Systems, Inc.,	)	
requesting a Certificate of Public Good pursuant	)	
to 30 V.S.A. § 248, authorizing the construction	)	
of the “Addison Natural Gas Project” consisting	)	Docket No. 7970
of approximately 43 miles of new natural gas	)	
transmission pipeline in Chittenden and Addison	)	
Counties, approximately 5 miles of new distribution	)	
mainlines in Addison County, together with three new	)	
gate stations in Williston, New Haven and Middlebury,	)	
Vermont	)	

**MEMORANDUM OF UNDERSTANDING BETWEEN THE VERMONT  
DEPARTMENT OF PUBLIC SERVICE AND VERMONT GAS SYSTEMS, INC.**

This Memorandum of Understanding (this "MOU") dated as of October ~~7~~<sup>4</sup>, 2015 sets forth the agreement of the Vermont Department of Public Service (the "Department") and Vermont Gas Systems, Inc. ("Vermont Gas" or "VGS") (collectively, the "Parties") regarding the above-captioned proceeding.

**Introduction**

1. Whereas the purpose of this MOU is to create a cap on Addison Natural Gas Project ("Addison Project") costs to ratepayers for which Vermont Gas may seek rate recovery, to advance the Parties' mutual interest in completion of the Addison Project at a lower cost than forecast, and to provide the basis for its completion on time and on budget, in furtherance of the public good.
2. Whereas the Department and Vermont Gas are committed to the efficient, cost-effective completion of the Addison Project for the benefit of customers and the general good of Vermont.
3. Whereas significant industrial customers have made investments in reliance on the expectation of the Addison Project's completion.
4. Whereas the Parties believe that it is in the public interest for the Public Service Board ("Board") to promptly resolve proceedings required for completing construction and commercial operation of the Addison Project in 2016, and therefore urge expeditious conclusion of all proceedings relating to the Rule 60(b) Motions and support a

determination that the Addison Project Certificate of Public Good should not be modified or revoked on the basis of these motions.

5. Whereas Vermont Gas believes that the Addison Project is on time and on budget and material delay in resolution of the Rule 60(b) proceeding or in achieving construction access to rights-of-way seriously risks the Addison Project's completion.
6. Whereas Vermont Gas commits to a rate recovery cap of \$134 million of Addison Project costs (as compared to the current \$154 million forecast), which is equivalent to the estimated Addison Project cost of \$122 million reviewed in the prior Rule 60(b) proceeding plus an additional 10% contingency, subject to the terms and conditions set forth in this MOU.
7. Whereas Parties agree that if the Project is constructed and brought into service consistent with the plans approved by the Board, the Project is used and useful for the purposes of rate proceedings.

### **Agreement**

Based on the forgoing, the Parties agree as follows:

1. Subject to the conditions and exceptions contained herein, Vermont Gas shall not seek rate recovery of Addison Project costs in excess of \$134 million ("Rate Cap").
2. Notwithstanding the Rate Cap, Vermont Gas may seek to recover amounts in excess of the Rate Cap resulting from extraordinary events outside the control of Vermont Gas (e.g., vandalism, protests, other unreasonable interference with construction, or force majeure-type events). VGS may also seek to recover amounts in excess of the Rate Cap resulting from material delays in rights-of way construction access. It is the Parties' intent that recovery of any above-Rate Cap costs will be limited in scope to such circumstances and that Vermont Gas must clearly identify and support the requested costs and demonstrate that the circumstances caused the cost increase if and when it seeks to recover these costs.
3. Nothing herein shall be construed as in any way limiting the Department's ability to review, investigate, and challenge any request made by Vermont Gas for cost recovery, in whole or in part, related to the Addison Project. It is expected that whatever costs are recoverable shall be included in rates effective November 1, 2016

- ("2017 Rates"), except that requests for above-Rate Cap costs pursuant to Paragraph 2, may be reviewed for recovery in rates in a subsequent proceeding.
4. Vermont Gas agrees to not oppose and to fully cooperate in any separate Board investigation regarding cost estimates and/or the timeliness of any cost estimate disclosures pursuant to 30 V.S.A. § 209, and to the extent appropriate, 30 V.S.A. § 30.
  5. The Parties agree that it is appropriate to place the first 11 miles of the Addison Project ("Segment 1") in service when completed. In light of the changed circumstances and commitments by Vermont Gas identified in this MOU the Department will not oppose the deferral and future amortization of appropriate carrying costs related to Segment 1, to the extent Segment 1 is ready for service before such costs begin to be recovered in rates. This is not to be construed that these costs will necessarily be recovered in rates, as these costs will also be subject to the review, investigation and challenge identified in Paragraph 3 above.
  6. This MOU shall terminate and be void if there is no final Board disposition of the Certificate of Public Good in response to Rule 60(b) Motions by January 8, 2016.

#### **Other Provisions**

1. This MOU is effective as of the date hereof and is binding only on the Parties. Although the Parties will file the MOU with the Board, they agree not to request Board approval, and that approval shall not be necessary for the effectiveness of the MOU.
2. The Parties will cooperate in further Board proceedings in a manner consistent with the obligations under this MOU.
3. The Parties agree that this MOU relates only to these Parties and should not be construed by any party or tribunal as having precedential or any other impact on future proceedings involving the Parties, except as necessary to implement this MOU. The Parties reserve the right in future proceedings not referenced herein to advocate positions that differ from those set forth in this MOU, except as necessary to implement the Parties' rights and obligations under this MOU.
4. The Parties have made specific compromises to reach the agreements reflected in this MOU.

5. The Department will support issuance of the orders and findings of the Board specified herein subject to the Department's obligations under Title 30 of the Vermont Statutes Annotated.

STATE OF VERMONT  
DEPARTMENT OF PUBLIC SERVICE

By:   
\_\_\_\_\_  
Christopher Recchia, Commissioner

Dated: October 7, 2015 at Montpelier, Vermont

VERMONT GAS SYSTEMS, INC.

By:   
\_\_\_\_\_  
Donald J. Rendall  
Chief Executive Officer

Dated: October 7, 2015 at South Burlington, Vermont